

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| KENTUCKY INFRASTRUCTURE AUTHORITY'S) | |
| JOINT APPLICATION ON BEHALF OF) | |
| CERTAIN WATER DISTRICTS FOR) | CASE NO. 89-092 |
| AUTHORITY TO BORROW FUNDS TO PREPAY) | |
| INDEBTEDNESS TO THE UNITED STATES) | |
| FARMERS HOME ADMINISTRATION) | |

O R D E R

On April 17, 1989, the Kentucky Infrastructure Authority ("KIA"), a public corporation and governmental agency and instrumentality of the Commonwealth of Kentucky, filed an application on behalf of Lyon County Water District, Bracken County Water District No. 1, Ohio County Water District, Edmonson County Water District, Big Sandy Water District, and East Logan County Water District ("Water Districts") for authorization to issue certain securities and evidences of indebtedness. The issuance of these obligations is an integral part of a financing plan to allow the Water Districts to participate in the Farmers Home Administration's discount loan prepayment program ("FmHA Program").

Under the proposed financing plan, KIA will issue \$25,000,000 in Kentucky Infrastructure Authority Governmental Agencies Program Revenue Bonds ("bonds"). The proceeds of this bond issue will be provided to the Water Districts to allow them to prepay loans owed to FmHA through FmHA's Program. In return, each Water District

will execute an Assistance Agreement with KIA, obligating it to make payments to KIA to enable KIA to meet the principal and interest payments on the issued bonds. The projected savings for the Water Districts is only preliminary since the discount factor for repayment of the FmHA loans is subject to change and the interest rate on the bonds will not be known until their sale. KIA, however, represents and warrants that the bond issue will provide projected savings to the Water Districts.

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that:

1. The Water Districts' execution of Assistance Agreements, as part of the financial plan, will strengthen the financial condition of the Water Districts by reducing their debt service payments.

2. The Water Districts' execution of Assistance Agreements is necessary and appropriate for and consistent with the proper performance of the Water Districts of their service to the public and will not impair their ability to perform that service, and is reasonably necessary and appropriate for such purpose.

3. The execution of Assistance Agreements is for a lawful object within the Water Districts' corporate purposes.

4. As KIA will issue the bonds and as it is not a "utility" as defined by KRS 278.010, Commission approval of the issuance of the bonds is not required by KRS 278.300.

IT IS THEREFORE ORDERED that:

1. The Water Districts be and they hereby are authorized to execute Assistance Agreements with KIA for repayment of the bonds provided the payments under these agreements require the individual Water District to pay a lower annual effective cost than its current annual embedded cost, which is to be refinanced under the FmHA's Program.

2. KIA shall, as soon as reasonably possible after the issuance of the securities referred to herein, file with the Commission a statement of interest outlining the date or dates of issuance of the securities authorized herein, the price paid, all fees and expenses involved in the issuance of the securities, the terms and interest rates of the authorized securities herein, and final schedules with detailed loan information with the projected savings or benefits for the Water Districts. It shall also furnish a copy of all executed Assistance Agreements from the Water Districts.


3. The proceeds from Assistance Agreements authorized herein shall be used for lawful purposes as set out in the application and KRS chapter 74.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 3rd day of May, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director